

## Message Text

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ORIGIN OPIC-06

INFO OCT-01 NEA-09 ISO-00 EB-07 COME-00 AID-05 L-02 INR-07

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DRAFTED BY: OPIC/D: OPIC/INS: JOFFUTT; A. KRAMISH

APPROVED BY: EB/IFD/OIA: R J SMITH

OPIC/D: EBURTON

OPIC/INS: CBATCHELDER (DRAFT)

EB/IFD/OIA: DHSTEBBING

OPIC/GC: CHUNT

NEA/IRN: BBMORTON

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R 241814Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: PROCEDURES FOR GOI APPROVAL OF OPIC INSURANCE OF  
SERVICE CONTRACTS

REFS: (A) TEHRAN 0334 (B) STATE 006500

1. OPIC APPRECIATES EMBASSY'S RECOMMENDATIONS AND COMMENTS  
CONTAINED REF. A. RE PARA 1, OPIC HAS DEVELOPED NEW, BROADER  
INSURANCE CONTRACT FOR SERVICE AND CONSTRUCTION CONTRACTORS  
WHICH IS NOT DESCRIBED IN BASIC INSURANCE HANDBOOK. PAMPHLETS  
DESCRIBING THIS CONTRACT BEING POUCHED.

2. IN BRIEF, CONTRACT WHICH HAS BEEN IN USE SINCE LATE 1972,  
INSURES AGAINST FOLLOWING RISKS OF SERVICE OR CONSTRUCTION  
CONTRACTORS WITH GOI AGENCIES: (A) WAR, REVOLUTION, INSURRECTION  
DAMAGE TO OR CONFISCATION OF TANGIBLE PROPERTY, (B) CONFISCATION  
OF BANKS ACCOUNTS AND TANGIBLE ASSETS, (C) FAILURE OF HOST GOVERN-  
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MENT TO PAY ARBITRATION AWARD TO CONTRACTOR AFTER CONCLUSION OF

ARBITRATION UNDER SERVICE CONTRACT, AND (D) FAILURE OF HOST GOVERNMENT TO SUBMIT DISPUTE TO ARBITRATION AS REQUIRED BY SERVICE CONTRACT (IN WHICH CASE OPIC PAYS CONTRACTOR UP TO 50 PERCENT OF AMOUNTS CLAIMED). OPIC DOES NOT PROVIDE INCONVERTIBILITY COVERAGE IN THE CONTRACT.

3. SO FAR CONTRACT HAS ONLY BEEN USED IN CONSTRUCTION PROJECTS, BUT EXPANSION TO OTHER SERVICE CONTRACTS (INCLUDING CO-PRODUCTION AND OTHER "NEW MODE" INVESTMENTS) IS BEING UNDERTAKEN AT INITIATIVE OF OPIC AND THE CONGRESS IN ORDER TO ENCOURAGE TRANSFERS OF TECHNOLOGY BY US FIRMS NOT INVOLVING TRADITIONAL EQUITY OWNERSHIP. COVERAGES DESCRIBED IN (C) AND (D) ABOVE AVAILABLE ONLY WHERE SERVICE OR CONSTRUCTION CONTRACT IS WITH GOVERNMENT AGENCY OR OTHER GOVERNMENT-OWNED ENTITY AND CONTAINS SATISFACTORY PROVISION FOR ARBITRATION OF DISPUTES. HOWEVER, OPIC CONTINUES TO OFFER COVERAGES AGAINST WAR AND EXPROPRIATION TO CONTRACTORS WITH PRIVATE ENTITIES. REASON FOR CHANGE REQUESTED REF B IS TO FACILITATE USE OF NEW CONTRACTS IN IRAN (THEREBY ENCOURAGING APPROPRIATE TECHNOLOGY TRANSFERS) AND TO PERMIT US CONTRACTORS TO REMOVE POLITICAL RISK FACTOR FROM BID COMPUTATION.

4. AS NOTED YOUR MSG, COVERAGE ON TECHNICAL KNOW-HOW AND MANAGEMENT CONTRIBUTIONS IN PRIVATE VENTURES IN EXCHANGE FOR ROYALTIES OR FIXED FEES LIMITED TO INCONVERTIBILITY. WOULD SUGGEST THAT DETAILS OF PROGRAM BE DISCUSSED FULLY WITH MAYS DURING PLANNED VISIT TO TEHRAN FEBRUARY 9-13.

5. BECAUSE OF POSSIBLE MODIFICATIONS OF COVERAGES, OPIC RECOMMENDS AGAINST DESCRIBING INSURED RISKS IN LETTER OR NOTE. INSTEAD, SUGGEST USE WHERE APPROPRIATE OF POUCHED PAMPHLETS AND ORAL EXPLANATIONS.

6. OPIC AGREES WITH RECOMMENDATIONS REFTEL A PARA 2. INGERSOLL

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## Message Attributes

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